**To:** Jackson, Ryan[jackson.ryan@epa.gov]
**From:** Bloomberg BNA
**Sent:** Wed 10/4/2017 8:04:08 PM
**Subject:** Oct. 4 -- Daily Environment Report - Afternoon Briefing

# Daily Environment Report

## Afternoon Briefing - Your Preview of Today's News

**The following news provides a snapshot of what Bloomberg BNA is working on today. Read the full version of all the stories in the final issue, published each night. The Bloomberg BNA Daily Environment Report is brought to you by EPA Libraries. Please note, these materials may be copyrighted and should not be forwarded outside of the U.S. EPA. If you have any questions or no longer wish to receive these messages, please contact Josue Rivera-Olds at rivera-olds.josue@epa.gov, 202-566-1558.**

### Transportation Officials Move to Scrap Obama Climate Rule

*Posted October 04, 2017, 10:59 A.M. ET*

*By Abby Smith*

The Trump administration is working to roll back another Obama-era climate regulation—this time a provision that would require state transportation planners to account for greenhouse gas emissions.

The Federal Highway Administration is quickly moving to repeal the greenhouse gas provision, tucked into a broader Obama administration rule that sets new requirements for tracking the performance and conditions of roads. Trump officials previously suspended the measure, then reinstated it late last month after environmental groups and a coalition of eight states sued, arguing that the administration couldn't suspend without taking notice and comment.

The provision at issue would require state transportation officials to track on-road greenhouse gas emissions and set "locally appropriate" emissions targets on national highways. State officials face an Oct. 1, 2018, reporting deadline.

The Oct. 5 notice seeking the provision's repeal notes Transportation Department officials reviewed existing and pending regulations and "identified the [greenhouse gas] measure ... as being potentially duplicative of existing efforts in some States, and burdensome" (RIN: 2125-AF76).

The Federal Highway Administration will accept comments for 30 days on the provision's repeal.

### Interior Wants to Freeze Obama-era Methane Limits

*Posted October 04, 2017, 02:43 P.M. ET*

*By Jennifer A. Dlouhy (Bloomberg) and David Schultz (Bloomberg BNA)*

The Interior Department wants to temporarily stop enforcing an Obama-era rule that limited methane emissions from oil and gas drillers operating on federal lands.

The proposal from the department's Bureau of Land Management would delay certain requirements of the rule, which sought to reduce leaking, venting, and flaring of methane, a potent greenhouse gas. The proposed delay comes as the Trump administration is weighing whether to repeal the rule outright.

Under the proposal, scheduled to be published Oct. 5 in the Federal Register, the Bureau would suspend some requirements until Jan. 17, 2019. The methane rule at issue became effective Jan. 17, 2017, though many provisions weren't set to begin until Jan. 17, 2018.

The Bureau said the pause in enforcement aims to avoid "imposing temporary or permanent compliance costs on operators for requirements that may be rescinded or significantly revised in the near future." It also cites executive orders from President Donald Trump that "necessitate a review" of the rule, including one compelling agencies to reduce the costs of complying with federal regulations.

"It doesn't make sense to have companies comply with a rule that will be substantially changed in the near future," Kathleen Sgamma, president of the Western Energy Alliance, told Bloomberg BNA. "The administration is going through the proper rulemaking process to correct this unlawful rule, but that process takes time."

The Western Energy Alliance and other energy industry representatives are challenging the rule through a lawsuit in a Wyoming-based federal court.

**Not Expedited**

The Bureau's current proposal must go through the standard public comment period, and before it can finalize the proposal, the Bureau must analyze and respond to all of those comments.

Earlier this year, the EPA attempted to enact a 90-day delay on a similar methane regulation without going through that process, but that delay was overturned by a federal appeals court in Clean Air Council v. Pruitt.

Republican lawmakers attempted to overturn the Bureau's rule earlier this year using an expedited legislative process. But they fell one vote short after three Republican senators crossed party lines to vote the measure down.



## Perry's Coal Proposal Seen Unlikely to Reverse Historic Decline

*Posted October 04, 2017, 8:35 A.M. ET*

*By Tim Loh*

U.S. Energy Secretary Rick Perry's plan to reward coal-fired power plants that keep large stockpiles of fuel won't be enough to reverse the industry's long-term decline, analysts say.

Perry has proposed extra payments for power generators with at least 90 days' worth of supplies on site, arguing that will make America's electric grid more "resilient" in the face of major supply disruptions.

While the measure will probably keep some coal plants open that would otherwise be forced to retire, it doesn't address the industry's core problem: namely, that overall U.S. electricity demand has flattened while natural gas, wind and solar power are stealing market share. To that end, industry experts doubt it'll be enough to make good on President Donald Trump's repeated vows to bring back coal.

"It doesn't solve some of the largest underlying structural challenges to coal demand in this country," Lucas Pipes, an analyst at FBR Capital Markets & Co., said in a phone interview. "We're in a no-growth market."

While any measure that prevents the further erosion of coal's market share would help the industry, Perry's proposal poses some complications for power generators. For one thing, utilities haven't been in the business of hoarding coal. With the U.S. coal sector oversupplied in recent years, power plant operators have preferred, when possible, to buy the fossil fuel "on-demand" rather than maintain large stockpiles, said Andrew Cosgrove, an analyst at Bloomberg Intelligence.

**Environmental Costs**

That's because stockpiling coal costs money. If left untreated, coal piles can spontaneously catch fire, something that's especially problematic for high-moisture coal from Wyoming and Montana's Powder River Basin, said Andy Blumenfeld, head of market analytics at Doyle Trading Consultants. There are also environmental costs associated with suppressing coal dust and handling runoff. Finally, the quality of stored coal degrades over time, Blumenfeld said.

For utilities participating in Perry's program, costs would go up as it "might require more personnel and equipment," Blumenfeld said.

In July, coal accounted for 32 percent of U.S. electricity generation, down from 47 percent a decade earlier, according to the U.S. Energy Information Administration. Gas was king, at 36 percent, up from 25 percent in July 2007.

In order to qualify, most power plants would also have to go out and buy coal. As of August, power plants holding Powder River Basin coal had an average of 75 days of supplies. Those with Illinois Basin coal had 91 days and those with Northern Appalachian coal had inventories in the low 70s, according to Pipes.

As long as the coal plants aren't expected to run all out, every day, then getting those stockpiles back over 90 days should be doable, said Matt Preston, a coal analyst at Wood Mackenzie Ltd. As recently as early 2016, America's coal plants had, on average, more than that on site.

It'd be much harder, though, if the plants were expected to have enough coal to run full-blast, around-the-clock, for three months straight. That would "require a significant increase in storage area at almost all plants," Preston said. "Some would definitely have to consider offsite storage which may or may not be economically feasible."



**EPA Chemical Office Pick Demurs Questions of Recusal on Past Work**

*Posted October 04, 2017, 01:41 P.M. ET*

*By Tiffany Stecker*

EPA chemicals office nominee Michael Dourson defended his consulting for chemical, tobacco, and oil industries Oct. 4 as Democrats and environmentalists challenged him to recuse himself from certain decisions on chemicals he worked on.

Dourson declined to answer whether he would recuse himself from decisions related to chemicals that he had previously independently consulted on for companies, including Dow Agrosciences, DuPont, and Koch Industries, saying he would follow the agency's guidance on ethics and potential conflicts of interest.

A professor of environmental health at the University of Cincinnati and head of the university's Risk Science Center, Dourson is the White House's nominee to head the Environmental Protection Agency's Office of Chemical Safety and Pollution Prevention. In that role he would oversee pesticide programs and the implementation of the Toxic Substances Control Act, which was amended in 2016.

Senate Environment and Public Works Committee Chairman John Barrasso (R-Wyo.) said in his opening remarks that "blind opposition" from Democrats to all of the Trump administration's EPA nominees has "stalled" the confirmation process in the Senate. Barrasso highlighted the nomination of Susan Bodine to lead the agency's enforcement office, which he said has been "held up" by Democrats since her nomination was approved by the committee in July.

**Dedicate 'Mind, Body and Spirit'**

Dourson has emerged as a lightning rod for controversy over the last decade as head of the nonprofit Toxicology Excellence for Risk Assessment (TERA), where critics say he worked with industry to downplay the risks of a a number of likely carcinogens and a pesticide linked to neurodevelopmental delays in children.

"I can give you as many or more examples of situations where the science we brought forward as a team" that led to a safety determination that was [more protective], he told Sen. Tom Carper (D-Del.). "I have been objective in my work and have used sound science to come to my conclusions," he told Sen. Sheldon Whitehouse (D-R.I.)

Dourson also defended his work, saying that many of the agency's limits on the chemicals were made later when the science on toxicity of those chemicals had advanced.

He said in his opening testimony that he would dedicate his "mind, body and spirit" to the position of assistant administrator to the chemical safety office.

"I will not deviate in my decisions from the scientific principles of toxicology and risk assessment that have been taught to me by my mentors and coworkers, nor deviate from the code of ethics…nor ever stop listening to my colleagues whose expertise I do not have but otherwise cherish," he said.

**'Not Ready to Work for EPA'**

But, Dourson didn't answer Democrats' questions on whether he would set aside his previous chemicals assessments, or whether he would lower safety levels of chemicals as head of the EPA's chemicals office.

"I'm not ready to answer that question," he told Sen. Tammy Duckworth (D-Ill.) when she asked whether he would change existing chemical limits.

"Then I don't think you're ready to go work for the EPA," Duckworth responded.

Dourson was among the first leaders of the EPA's Integrated Risk Information System (IRIS)—a primary database of consensus chemical toxicity values—and has decades of experience as a toxicologist, attributes that have earned him accolades from the American Chemistry Council, pesticide industry trade groups, and former EPA officials.

More than 20 agriculture organizations, including the American Farm Bureau Federation, sent a letter to the committee to vouch their support.

**Nobel Prize in Reverse**

But Democratic senators challenged Dourson on his consulting work with industry, arguing he often recommended safe thresholds of chemicals tens or thousands of times lower than the levels found by the EPA or state health agencies. TERA has done such assessments for 1,4-dioxane, a likely carcinogen found in personal care products; 1-Bromopropane, a likely carcinogen found in stain removers; and TCE, a solvent.

"It appears you have no compunction to taking million dollars from industry to perform scientific studies on their behalf," Duckworth said, focusing on Dourson's work with Koch Industries to evaluate the toxicity of petcoke, a byproduct of the oil refining process.

And Sen. Kirsten Gillibrand (D-N.Y.) called attention to the chemical contamination in Hoosick Falls, N.Y., where she said, residents "are so affected by the decisions that you have made."

"If there was a Nobel prize in chemistry in reverse, you would be the clear winner," Sen. Ed Markey (D-Mass.) told Dourson, a reference to this week's awards for scientific achievement. "It's pretty clear you've never met a chemical you didn't like."

### Democratic Nuclear Regulator Nomination 'A Big Ask:' Barrasso

*Posted October 04, 2017, 01:25 P.M. ET*

*By Rebecca Kern*

Sen. John Barrasso (R-Wyo.) said he will oppose President Donald Trump's nomination of Jeffery Baran to serve a second term as a Democratic commissioner on the Nuclear Regulatory Commission, saying Democrats have placed a hold on the two Republican nominees to the panel.

Barrasso said at the Oct. 4 Senate Environment and Public Works Committee that Democrats have "refused to advance" Republicans Annie Caputo and David Wright as commissioners on the NRC until Baran is confirmed to a new five-year term.

The committee approved Caputo and Wright's nominations in June, and they are awaiting Senate floor votes. Sen. Tom Carper (D-Del.), ranking member of the committee, has supported the re-nomimation of Baran to pair with the Republican nominees.

Separately, Barrasso hinted that he will likely vote against Baran this time around, saying he has already done so six times. “Since then, Commissioner Baran has given me little reason to reconsider my vote,” he said at the confirmation hearing for Baran and other Environmental Protection Agency nominees.

He called the additional five-year term nomination for Baran “a big ask.”

Baran has served as a Democratic commissioner for the NRC since October 2014 and was nominated for another five-year term from July 1, 2018, to June 30, 2023. NRC commissioners serve staggered five-year terms.

“If Mr. Baran is confirmed, his term would outlast those of all Republican nominees to the NRC, including Chairman [Kristine] Svinicki [R],” Barrasso said. Svinicki’s term ends June 30, 2022.

Caputo has been nominated to fill the remainder of an five-year term that would end in June 30, 2021, which was previously filled by former NRC Commissioner William Ostendorff (R), who left June 30, 2016. Wright has been nominated to the fill the remainder of a five-year term that would end June 30, 2020, which was previously filled by former NRC Commissioner William Magwood, an independent, who left the agency in August 2014.

—With assistance from Tiffany Stecker

**Pipeline Safety Agency Nominee Wins Senate Panel’s Approval**

*Posted October 04, 2017, 11:27 A.M. ET*

*By Sylvia Carignan*

A Senate committee approved Howard “Skip” Elliott as head of the Pipeline and Hazardous Safety Materials Administration Oct. 4, sending his nomination to the full Senate.

The Senate Committee on Commerce, Science and Transportation approved Elliott’s nomination by voice vote. Committee chairman Sen. John Thune (R-S.D.) said he hoped to see the nomination move to the floor “in the days and weeks ahead.”

Elliott was vice president of public safety, health, and environment at CSX from 2004 until he retired earlier this year. He spent four decades in the railroad industry, and the Interstate Natural Gas Association as well as other industry groups have praised his experience.

Elliott told the committee at a hearing Sept. 27 that he embraces safety-focused technology and wants to be transparent with police, firefighters and others responding to emergencies.

“I’ve had a long, strong belief that we can never do enough to help improve and enhance the capability of our emergency first responders,” he told the committee Sept. 27.

Elliott also promised to seek to shorten the hiring process that some federal job candidates have complained is too slow. He wants to aggressively recruit and fill PHMSA’s open positions, he told senators.

If confirmed by the full Senate, Elliott would take over from acting administrator Drue Pearce, who joined PHMSA in August. Pearce would retain her position as deputy administrator.

**Western Governors to Work Together on Electric Vehicle Charging**

*Posted October 04, 2017, 02:10 P.M. ET*

*By Brenna Goth*

Governors in seven Western states will work to create an electric vehicle corridor that seamlessly connects their major thoroughfares, according to an initiative announced today.

Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming signed on to a plan to coordinate charging stations and other infrastructure along more than 5,000 miles of highway to drive electric vehicle use, a news release said. The initiative was unveiled at a National Governors Association energy summit.

The memorandum of understanding among the states says leaders will meet quarterly to explore ways to implement voluntary minimum standards for charging stations and promote electric vehicles, among other initiatives.

The memorandum provided no cost estimate of the project, but it cited electric vehicle infrastructure as an economic driver and a boon for tourism.

"Our residents and the millions of visitors to our states will be able to drive electric vehicles from Denver to Las Vegas, from Santa Fe to Helena," Colorado Gov. John Hickenlooper (D) said in a statement.

**Energy Royalty Advisory Panel Starts Charting New Rules**

*Posted October 04, 2017, 01:52 P.M. ET*

*By Alan Kovski*

A royalty policy committee that includes major oil companies will develop new Interior Department regulations on payments companies make for energy development on federal and tribal lands, an Interior official said at the committee's first meeting Oct. 4.

The committee is an example of the Interior Department changing the way it "does business" and a sign of its efforts to promote energy development, Vincent DeVito, energy counselor to Interior Secretary Ryan Zinke, said.

The committee includes representatives from Chevron, ConocoPhillips Corp., Anadarko Petroleum, Cloud Peak Energy Inc. and other oil, gas, and coal companies, along with state and tribal officials and some members of academia.

The Interior Department scheduled at least a year for the committee to look at policies covering royalties and other financial requirements for oil, natural gas, and coal. DeVito said it will examine "every financial aspect" of federal energy regulation.

Beyond royalties, the federal financial regulations for energy include bonus bids, rents, inspection fees, and bonding to cover possible pollution and eventual decommissioning costs.

**Mining Giant Sherritt Fined $840,000 for Coal Mine Effluent Leak**

*Posted October 04, 2017, 01:09 P.M. ET*

*By Peter Menyasz*

Sherritt International Corp., a major nickel miner, faces a C$1.05 million ($840,000) fine for leaking up to 500,000 liters (132,000 gallons) of contaminated wastewater into nearby streams inhabited by an at-risk fish species.

The Provincial Court of Alberta levied the fine after the mining company pleaded guilty Oct. 3 to three counts of violating the federal Fisheries Act by allowing the waste to spill into fish-bearing waters, Environment and Climate Change Canada said.

The pollution entered tributaries of the Athabasca River, including areas identified by the Alberta government as “ecologically significant habitat” for the Athabasca rainbow trout, an at-risk species, it said.

The charges resulted from an August 2012 federal investigation into a report of spills from the mine’s wastewater pond, which uncovered two previous releases in July 2011, the department said in a statement.

Sherritt International acted immediately after becoming aware of the spills, Joe Racanelli, the Toronto-based company’s director of investor relations, said Oct. 3. “We take these issues very seriously,” Racanelli told Bloomberg BNA.

**Company Installed Systems**

The company installed automated systems on its waste-water ponds to monitor the quality of effluents to ensure they were below levels that would be toxic to fish, and put in place systems and procedures to stop potential spills into neighboring rivers and streams, he said. In addition to the fine, of which C$990,000 ($793,000) will be added to the Environmental Damages Fund to support environmental projects, Sherritt’s name will be added to the Environmental Offenders Registry. the government said.

The company also conducted its own investigation into the incidents, he said. “We didn’t observe any impacts to wildlife or fish in that area,” he said.

Federal inspectors didn’t find dead fish or other evidence of direct harm, but said that isn’t unusual in such cases, as dead fish often float downstream or sink, Environment and Climate Change Canada spokesman Daniel Smith said. Evidence of harm isn’t necessary for a conviction under the Fisheries Act, which prohibits the release of harmful substances into sensitive fish-bearing habitats, he said.

Sherritt owned and operated the open-pit Coal Valley Mine, about 90 kilometers south of Edson, Alberta, from 2001 to 2014. The mine is now owned by Englewood, CO-based Westmoreland Coal Co.

The fine was levied under the old provisions of the Fisheries Act, which allowed for maximum fines of C$300,000 ($240,000) per offense, Smith said.

The penalties section of the act was revised in 2012 to align with those in the Environmental Enforcement Act. It now includes minimum fines for corporations of C$500,000 ($400,000) and maximum fines of C$4 million ($3.2 million) on summary conviction and C$6 million ($4.8 million) for violations. Fines are doubled for second or subsequent offenses.

“We would expect significantly higher penalties for similar offenses going forward,” Smith, regional director for environmental enforcement in the department’s Edmonton, Alberta office, told Bloomberg BNA.

**Dawn of Solar Age Declared as Sun Power Beats All Others**

*Posted October 04, 2017, 8:49 A.M. ET*

*By Anna Hirtenstein*

Solar power blossomed faster than for any other fuel for the first time in 2016, the International Energy Agency said in a report suggesting the technology will dominate renewables in the years ahead.

The institution established after the first major oil crisis in 1973 said 165 gigawatts of renewables were completed last year, which was two-thirds of the net expansion in electricity supply. Solar grew by 50 percent, with almost half new plants built in China.

“What we are witnessing is the birth of a new era in solar PV,” Fatih Birol, executive director of the IEA, said in a statement accompanying the report published Oct. 4 in Paris. “We expect that solar PV capacity growth will be higher than any other renewable technology through 2022.”

This marks the sixth consecutive year that clean energy has set records for installations. Mass manufacturing and a switch by governments away from fixed payments for renewables forced down the cost of wind and solar technology.

The IEA expects about 1,000 gigawatts of renewables will be installed in the next five years, a milestone that coal only accomplished after 80 years. That quantity of electricity surpasses what’s consumed in China, India and Germany combined.

The surge of photovoltaics in China is largely due to government support for renewables, which are being demanded by a population concerned about air pollution and environmental degradation that has led to deadly smogs. The country is seeking to reduce its reliance on coal and has become the world’s largest market for renewables, particularly solar.

“The solar PV story is a Chinese story,” said Paolo Frankl, head of the IEA’s renewable energy division. “China has been for a long time the leader in manufacturing. What’s new is the share in the market. This year, it was equivalent to the total installed capacity of PV in Germany.”

The U.S. and India are among other nations pushing renewables. They along with China are projected to make up two-thirds of the clean-energy expansion worldwide. Despite President Donald Trump’s vow to bolster coal’s position in the power market, the U.S. is expected to be the second-largest market for renewables.

The IEA also expects biofuels to take a larger role in the transportation industry, surpassing gains by electric vehicles.

“A lot of attention has been given in recent months to electric vehicles, and rightly so. They are increasingly globally, exponentially,” Frankl said. “But I have to say, we should not forget the biofuels, which at the end of 2016 represented 96 percent of total renewable transport.”

Electric vehicles numbers will double by 2022, but biofuels will still make up 93 percent of renewables consumed in the transport industry, the IEA estimates. The fuels are needed especially for heavier vehicles including planes and ships.

The organization recommends that governments put incentives in place to spur the development of biofuels made from non-edible plants, which would avoid diverting food crops into fuel tanks. The cost of biofuels currently is about double the global price of gasoline, Frankl said.



**Private Oil Made a Big Find in Mexico, Now State Oil Wants a Cut**

*Posted October 04, 2017, 10:37 A.M. ET*

*By Adam Williams*

When private drillers struck oil off Mexico’s coast this year, they didn’t anticipate sharing it with the state oil company. It looks like they’ll have to.

The discovery of as much as 2 billion barrels in July, by a group led by Houston-based operator Talos Energy LLC, grabbed the oil world’s attention. Mexico’s energy reformers celebrated. It was the first big find since the government opened the industry to investors in 2014—a controversial move in a country that kicked out foreign oil companies in the 1930s, and had mixed feelings about letting them back in.

The reformers were vindicated: Private capital could get results where Pemex, the cash-strapped state operator, couldn’t. More would surely follow. Then a problem emerged. The crude deposit found by Talos, it turned out, spread beyond the boundary of the company’s exploration bloc and into a neighboring one—owned by Pemex.

Now the government is rushing to put together a rulebook for how this find, and subsequent ones, get shared out. It could shape the future of the whole energy plan. The group—which includes Sierra Oil & Gas S de RL de CV and Premier Oil PLC—is said to be holding off on further investment pending the decision. Other drillers who bought exploration rights also want to see the government ruling before making financial commitments. The rush of enthusiasm that followed the July find has turned into a nervous wait.

**‘Most Important Issue’**

“This is the single most important outstanding issue in the sector,” said Raymundo Pinones, director of Mexico’s Association of Hydrocarbon Companies. “It could delay activity until there is clarity. In place of drilling or continuing with development, the industry is waiting for this to be resolved.”

Almost 70 companies have been given leases to explore for crude in Mexico. One of them, Italy’s Eni SpA, reported a shallow-water find of at least 1.4 billion barrels this year, located beneath an existing Pemex well.

The field discovered by Talos, Sierra and Premier may be even bigger. From the start, in its July 12 press statement, the consortium said that the oil "could extend into a neighboring block." Weeks later, in an interview with El Financiero newspaper, Pemex Chief Executive Jose Antonio Gonzalez Anaya said that his company, which has rights to that block, would fight for a share of the proceeds.

The Talos-led consortium already has to pay 83 percent of profits from its field, known as Zama-1, to the Mexican government, according to the Energy Ministry. Sharing with Pemex could push the figure even higher. So the group has temporarily halted investment and development of the massive find, according to a person familiar with the plans.

The entire industry in Mexico is affected by the delay in establishing the rules, Pinones said. "All the companies that need to plan investment, all those that need to have certainty when they go to their boards to respond to questions, in order for the approval of hundreds of millions of dollars."

**'Global Standards'**

Like BHP Billiton Ltd, which won rights to operate the Trion field near Mexico's maritime border with the U.S., estimated to hold the equivalent of about 485 million barrels. The Australian driller has identified at least four locations on the block that have exploration potential.

The new rules on sharing "would be of key interest to us there," Tim Callahan, BHP's Mexico president, said in an Oct. 2 interview. Mexican officials have already circulated a draft version to oil companies, and discussions are ongoing, he said. "We've been working very hard to try to help influence the secretary of energy to come up with a proposal that's more in accordance with global standards."

Even if the government is inclined to cut the Talos-led group some slack, there's a political obstacle. Mexico has a presidential election next year, and the early frontrunner is a fiery populist, Andres Manuel Lopez Obrador, who's campaigning against the energy reforms. Last month he reiterated a promise to review oil contracts if he wins. Concessions to foreign capitalists will be grist to his mill.

Deputy Energy Minister Aldo Flores points out that the problem confronting his government isn't unique to Mexico. The process of dividing up an oil find that spans different jurisdictions is known in the industry as unitization, and there are plenty of international precedents.

**'Rule of Capture'**

"In Mexico, we don't have a rule of capture as they do in Texas. It's not first-come, first-served," Flores said in an interview last month. "If there's enough evidence and certainty that the discovery extends into Pemex's block, then it would have to be shared."

But the legislation won't be written just for the state company's benefit, he said. Future finds will likely require collaboration between private companies with neighboring blocks, and the same rules will apply to them.

Still, since the first case does involve Pemex, it's extra-sensitive.

The industry has already flagged concerns about preferential treatment. Pemex missed a three-year deadline to meet minimum investment or work requirements in some of the 108 fields that it operated. But in August it was granted a two-year extension for 101 of them - including the one nextdoor to Talos's patch - by the Energy Ministry, which cited low oil prices as reasoning for granting additional time.

So if the international oil community thinks the sharing deal isn't fair, it could spook investors hoping to tap Mexico's 9 billion barrels of reserves.

"This isn't going to be a one-off situation," said John Padilla, managing director of energy consulting firm IPD Latin America. "If they don't get this right, they are going to jeopardize a lot."



## Draft EU Endocrine Disruptor Pesticide Ban Exterminated

*Posted October 04, 2017, 01:29 P.M. ET*

*By Stephen Gardner*

Germany's Bayer AG, Dow AgroSciences, Syngenta and other chemical companies are breathing a sigh of relief after the European Parliament vetoed a draft EU regulation Oct. 4 that could have banned up to 70 pesticides with endocrine disrupting properties.

Endocrine disruptors mimic, block or alter or hormone functions that can shape growth and development.

The veto pleased companies and environmental groups alike. Companies had faulted the draft regulation as a too-blunt instrument that would have led to unjustified pesticide bans, while environmental groups said loopholes in the draft regulation would have allowed continued use of endocrine-disrupting pesticides.

The draft would have set criteria for identifying endocrine disrupting substances in pesticides. The criteria are needed to implement the EU Pesticides Regulation ((EC) No 1107/2009) prohibiting the use of proven endocrine disruptors as pesticides.

European Parliament lawmakers, sitting in Strasbourg, France, voted 389 to 235, with 70 abstentions, to reject the proposal, concluding it would have still allowed a number of pesticides with endocrine disrupting properties as long as those properties only affected the organisms targeted by the pesticide and similar non-vertebrate organisms.

According to the objection adopted by lawmakers, this went too far and would "effectively create a derogation" compared to the intention of the EU Pesticides Regulation to largely outlaw endocrine disruptors.

The effect of Parliament's veto is to send the draft regulation back to the European Commission, the EU's executive arm, which said in an Oct. 4 statement that it would "now need to reflect on next steps to take."

#### Veto Lauded by Groups

Graeme Taylor, director of public affairs for the European Crop Protection Association, told Bloomberg BNA Oct. 4 that "probably 60 to 70" pesticides might have been banned in the EU under the vetoed draft regulation. Another industry official, Claudia Karsten, spokeswoman for Germany's

Bayer AG, told Bloomberg BNA Oct. 4 the regulation would have been “unworkable, impractical, and would have impacted negatively on the competitiveness of European farming, without providing any increase in protection for health and the environment.”

Health and environmental advocates lauded the veto because they believed the draft regulation did not target enough compounds.

Génon K. Jensen, executive director of advocacy group the Health & Environment Alliance, said in an Oct. 4 statement that the European Parliament had shown “remarkable clear-sightedness” in vetoing a proposed regulation “that fails to identify the numerous toxic substances that people are exposed to.”

Environmental lawyers ClientEarth said in a statement Oct. 4 that endocrine disruptors “interfere with human hormones and may cause cancer, infertility or impaired brain development,” and the European Parliament had been right to reject draft criteria that “would have only benefited the pesticides industry.”

**Long-Running Process**

Bayer, Dow AgroSciences and Syngenta are among the largest suppliers of pesticides in the EU. Dow EU government affairs and science policy leader Filip Cnudde declined to comment to Bloomberg BNA Oct. 4 on the European Parliament vote and referred queries to the European Crop Protection Association.

The parliament’s veto of the draft regulation is the latest step in a long process to establish criteria to formally identify endocrine disrupting pesticides. Under the Pesticides Regulation, the criteria should have been proposed by December 2013. The European Commission Oct. 4 did not give an indication of when redrafted criteria might be published.

In the absence of criteria to identify endocrine disruptors in pesticides, certain carcinogenic and reprotoxic substances are by default considered to be endocrine disruptors for the purposes of the EU Pesticides Regulation.

## Theresa May’s U.K. Energy Price Cap Signals Wafer Thin Margins

*Posted October 04, 2017, 02:26 P.M. ET*

*By Jessica Shankleman, Alex Morales and Mathew Carr*

Britain’s utilities are the new political punching bag after Theresa May proposed a price cap to insulate customers from higher prices.

Centrica Plc plunged to a 14-year low after the prime minister said she wants to “bring an end to rip-off energy prices once and for all.” Earnings may fall at least 10 percent at three of the nation’s Big Six utilities, according to a note from RBC Europe Ltd.

The proposals seek to save households 1.4 billion pounds ($1.86 billion) a year and could come at a cost to companies that dominate the energy market that includes almost 60 suppliers. It also signals an end to a period of relative calm in the regulation of electricity and natural gas in the U.K., putting utilities in the firing line.

“People are selling the stock because they’re anticipating that the government will push through legislation,” said Deepa Venkateswaran, an analyst in London at Sanford C. Bernstein & Co. “It’s getting hit again and again for the same thing.”

Energy companies wouldn’t have it better if voters boot out the Conservatives. Jeremy Corbyn, leader of the Labour opposition, told his members last week he wants to nationalize energy companies, calling for transforming “our economy with a new and dynamic role for the public sector, particularly where the private sector has evidently failed.”

The remarks by both of the main parties suggest utilities regulation is about to be rewritten, just when the industry is desperately in need of new investment—and utilities are balking because they’re uncertain about the impact of Britain’s impending departure from the European Union. The government estimates 100 billion pounds needs to be put into power grids and generation plants within the next decade or so to replace aging facilities and reduce pollution.

May’s price cap is just the latest attempt to fix a broken energy market. Ed Miliband, the previous Labour leader, proposed a freeze in 2013. That sparked a debate about overpricing and a two-year investigation by the Competition and Markets Authority. May’s predecessor, David Cameron, tried to simplify the market with a limit on the number of tariffs energy companies can offer. Ministers since have scrapped those limits.

“There’s a bit of flip flopping that happens in regulation,” said Sara Vaughan, political and regulatory affairs director at EON SE.

**Market Restructured**

Both Labour and Conservative governments spent years reworking the power and gas markets to be more market sensitive. More recently, ministers introduced structures to pay generators that provide steady streams of electricity after competition from wind and solar pushed slashed profits from coal, gas and nuclear. Labour is pressing for more drastic action.

“Today, after pressure from Labour and her own backbenches, Theresa May has finally been forced to recognize that the energy market is broken,” Rebecca Long-Bailey, the Labour lawmaker who speaks on business, said in a statement. “Her response doesn’t go nearly far enough.”

Shares slumped for each of the Big Six -- Centrica, SSE Plc, Innogy SE, EON SE, Iberdrola SA, Electricite de France. RBC said Centrica’s earnings per share could be cut 25 percent in a worst-case scenario, while both SSE and Innogy may lose 10 percent of their profit. The operating profit margin for the group as whole may slide to a wafer-thin 0.3 percent from 2.6 percent, RBC analysts John Musk and Olly Jeffery wrote in a note to clients.

The current focus is on so-called Standard Variable Tariffs, which the government says is penalizing passive customers who don’t bother to change suppliers. EON last month offered to end the practice of putting people onto those tariffs. Those customers together overpay by 1.4 billion pounds each year, according to a CMA investigation published in 2016.

“We can’t be in possession of that information that consumers are being overcharged and not act on it,” Greg Clark, the Cabinet secretary overseeing business, energy and industrial strategy, said in a Bloomberg TV interview on Wednesday. He hopes more companies will follow EON and end the practice of putting people onto standard tariff if they don’t take action.

**Industry View**

Scottish Power Ltd., the Iberdrola unit working in the U.K., said it's the government's responsibility to end the tariff system.

"Just as you insure your car and home every year and go to the market for the best deal, so every energy customer should engage regularly with the market," said Neil Clitheroe, chief executive officer of Scottish Power retail and generation unit.

Further details of the Conservative plan, including how long the cap will last, may emerge when the government pushes a draft bill as early as the week of Oct. 9.

"While we are in favor of free markets, we will always take action to fix them when they're broken," May told the Conservative Party conference in Manchester on Oct. 4.

The utilities said the latest maneuvering may backfire by reducing competition and discouraging consumers from switching to better deals.

Britain's energy market is changing rapidly, and consumers are more savvy than when Miliband first called for a price freeze. Three years ago, the Big Six had 99 percent of the market, and less than 4 million people changing suppliers each year, according to the trade association EnergyUK. Since then, dozens of new companies emerged and almost a third of customers started routinely switching, cutting the Big Six's market share to 80 percent.

Any intervention should be "simple to administer, time-limited, and maintain the principles of a competitive energy market to best serve customers' interests," SSE, which is based in Perth, Scotland, said by email.

—With assistance from Anna Edwards.



**Japan Regulator Clears Restart of World's Largest Nuclear Plant**

*Posted October 04, 2017, 9:07 A.M. ET*

*By Stephen Stapczynski*

Tokyo Electric Power Co. Holdings Inc. moved a step closer to resuming operations of the world's biggest nuclear facility after Japan's atomic regulator gave its tacit approval, delivering a much-needed boost for a company still strapped with the cost to clean up its wrecked Fukushima plant.

Japan's Nuclear Regulation Authority Oct. 4 approved a preliminary report saying Tokyo Electric's No. 6 and 7 reactors at its Kashiwazaki-Kariwa power plant in Niigata prefecture meet post-Fukushima safety rules. Tepco, as the utility is known, must still get the endorsement of the prefecture's government, which currently opposes the restart.

Resuming operations at the two reactors "should displace a lot of coal and LNG, and hence impact the bottom line," Tom O'Sullivan, founder of Tokyo-based energy consultant Mathyos, said by email ahead of the decision. "The restarts would have additional significance as they improve the energy security of the east of Japan and Tokyo."

This is the first time Tepco has been cleared to operate a nuclear reactor since its Fukushima Dai-Ichi facility suffered a triple meltdown in 2011.

Under a turnaround plan released in May, Tepco said it expected the two units at Kashiwazaki-Kariwa to resume operations as soon as the fiscal year ending in March 2020. The No. 1 and 5 reactors at the plant could restart in 2022, while the No. 3 and 4 units could come online in 2025. The utility is aiming to restart the No. 2 unit a year later.

The Niigata plant, 220 kilometers (137 miles) northwest of Tokyo, consists of seven reactor units ranging from 20 years to 32 years in age, according to the NRA. The plant has a total operating capacity of about 8 gigawatts.

Four of Japan’s 42 operable reactors are currently online.

Operating a single unit at Kashiwazak-Kariwa would cut costs by as much as 90 billion yen ($800 million) a year by reducing fuel imports, Tepco said in May.

The utility is seeking partnerships in its nuclear and electricity transmission and distribution operations to boost profitability as part of its latest 10-year turnaround plan.

After a 30-day public comment period, the report will then be subject to formal approval.



**Army of Women Tackles Electricity Thieves in Indian Slums**

*Posted October 04, 2017, 10:42 A.M. ET*

*By Bhuma Shrivastava*

India’s power companies have a problem largely responsible for $10 billion a year in losses. Slum dwellers steal electricity and refuse to pay their bills. But company officials often can’t go in without being chased by mobs—and sometimes beaten, tied up, urinated on, even murdered.

So officials at Tata Power Co.’s joint venture with the Delhi state government came up with a solution that’s turning out to be a model, not just for the rest of India, but for the world: It hired women living in the 223 slums it serves in the northern and northwest parts of the capital and called them “Abhas,” from the Sanskrit word for light.

Tata Power Delhi Distribution Ltd.’s force of now 841 wives, mothers, and women as young as 20 go around the slums, knocking on neighbors’ doors and persuading, coaxing, cajoling and nagging them to pay their power bills.

The result is a 183 percent increase in revenue over five years from the slums where Tata operates the project, with minimal cost to the company. Active power connections have risen 40 percent to 196,000—meaning that 56,000 previously freeloading homes have become active, bill-paying power customers.

“This gave us a way to get into these neighborhoods, rife with mafia and political influences,” said Praveer Sinha, chief executive officer and managing director at Tata Power-DDL, which had started out operating literacy campaigns for slum women in 2010 as a way into the communities. “We thought educated women would give us a much better buy-in."

The success of Tata Power-DDL's initiative is inspiring imitation. Rival BSES Delhi, co-owned by the Delhi state government and Anil Ambani-controlled Reliance Infrastructure Ltd., engaged 40 women earlier this year in a pilot project in a west Delhi slum. Having resident women distribute bills and collect payment from neighbors produced "very encouraging results" that will now be used to expand the program, according to BSES spokesman Deepak Shankar.

The World Bank is trying out similar initiatives in Jamaica and Kenya, and is considering adapting it to other African countries. So far, Kenya Power & Lighting Co. has improved connection rates by doing more community engagement based on the Tata model that "has provided a lot of learning, which we are incorporating," Sunita Chikkatur Dubey, a Ghana-based World Bank consultant, said via email.

The slum in north Delhi known as Sanjay Basti, home to 4,000 people just 2 miles (3 kilometers) away from Tata Power-DDL headquarters, was once notorious for harassing power inspectors. Residents would threaten to pull away ladders when company officials climbed electricity poles to disconnect illegal hookups, said Amarjeet Kaur, who used to be an illiterate housewife before she was hired as an Abha in 2013.

"Residents would ask me: 'Why did you become a 'company person' when you are one of us?'" said Kaur, 39, as she walked through the slum's serpentine lanes filled with low-slung electricity cables that these days connect to almost all the brightly painted brick dwellings. "Now, women are in a queue to take up this job. Even the boys want to become Abhas."

Abhas, whose numbers are expected to swell to 1,000 by next year, do more than just hand-deliver electricity bills and collect payments. They advise slum dwellers on power conservation and safe practices: Use LED bulbs, don't use old motors to pump underground water or it will spike your electricity bill, and most importantly, don't use power cables as clotheslines. The Abhas' newest mandate, Tata Power-DDL's Sinha says, is to encourage slum residents to make mobile payments, which reduces the need to handle and safeguard large amounts of cash.

Abhas make about 4,000 rupees ($60) a month on average, which is what some part-time domestic helpers can make. It includes a base salary plus extra pay based on securing full bill payment, partial payment or new meter installation. Abha managers, 25 in total, can make as much as 12,000 rupees a month—about the equivalent of a bus or van driver in Delhi.

Residents say they prefer dealing with women from their own communities—who personally deliver bills when they know neighbors are home and accept partial payment when money is tight—rather than outsiders. If their repeated cajoling and nagging doesn't result in payment, then power is disconnected. The Abhas have the support of the community leaders, known as pradhans, who weigh in if needed.

"Earlier if we weren't home when the company official came to deliver the bill, we'd miss paying and become defaulters," said Usha, 38, who goes by one name and lives in a 90-square-foot room with six other family members. She likes the convenience of dealing with people she knows, and laughs off any questions about feeling nagged. "If we consume electricity, we're supposed to pay for it!"

The scarcity of resources in slums ensures an interdependence among residents that means they're more likely to listen to one of their own, said Purnima Singh, a psychology professor at the Indian Institute of Technology in New Delhi.

“The social fabric is much tighter in slum clusters,” said Singh. “An outsider will never match up in having this level of influence.”

Tata Power-DDL started zeroing in on slums in 2009, considering them the last hurdle to paring losses. India’s power companies lose revenue on about a fifth of the electricity they supply, or about $10.2 billion annually, due to problems including theft, meter tampering, billing issues and leakage due to faulty equipment, according to PricewaterhouseCoopers India estimates.

To thaw the hostility that Tata Power-DDL officials were encountering, it set up a special consumer group to start drug rehabilitation, provide medical vans, install drinking water stations and launch the women’s literacy program. The idea to hire women surfaced in 2012 when, Sinha said, the women who had been studying to read and write started asking how to put their education to use.

“These women weren’t allowed to go out and work by their families,” said Manisha Wadhwa who now heads the group. “But they could always work in their own communities, choose their own hours and still give us better reach in their neighborhoods.”

Wadhwa’s group is still trying to tame 39 slums Tata Power-DDL serves that remain crime-prone and mafia-ridden, where the few Abhas the company has been able to hire haven’t made much headway.

People pelt stones and pour hot water from the roofs” in one of the areas, Wadhwa said. “We are still trying to befriend them.”

Still Tata Power-DDL has come a long way from the days before 2012 when officials had to remove their badges to keep from being identified when visiting slums. Now women like Kaur insist on having Tata Power identity cards, as it gives them status.

“We have learned from this initiative that we can work closely with communities to improve economic outcomes,” said Sinha. “We don’t need to do charity.’’

—With Rajesh Kumar Singh and Adrian Leung.



**Brazil to Tap Green Bonds, Fueling Agricultural Expansion**

*Posted October 04, 2017, 9:10 A.M. ET*

*By Anna Hirtenstein*

Brazil plans to tap green bonds to finance a significant expansion of agricultural exports.

The world’s fifth biggest country has underused landmass equivalent to four times the size of France, or, about 190 million hectares (470 million acres), according to Roberto Jaguaribe, president of the Brazilian Trade and Investment Promotion Agency. Green bonds could help finance infrastructure to bring more food to global markets in an environmentally friendly way.

“There’s no other country in the world that has the conditions that Brazil has for agricultural supply,” said Jaguaribe in an interview in London. “And we want to do it in a very sustainable way, feed the world.”

Green bonds could help improve the sustainability of Brazilian agriculture by supporting rules that prevent illegal deforestation or land degradation. The market for the environmentally-focused securities grew from non-existence a decade ago to $95 billion last year. Bloomberg New Energy Finance forecasts issuance will reach $130 billion in 2017.

“We think that almost all of the projects that we have are completely aligned with the green financing,” said Jaguaribe, a former ambassador to the U.K. and China at meeting hosted by Brazil’s embassy in London. While green bonds won’t be the “main source” of financing for the farming expansion they’re seen as “increasingly relevant,” he said without specifying any amount.

Brazil has already issued about $3 billion of green bonds and could sell a record $5 billion this year. The country has been investing in logistics to get agricultural products to market by building railways such as the Ferrograo, a $4.1 billion project to develop soy exports.

**Key Producer**

“Green bonds are a way of getting projects financed without using taxpayer money,” said Sean Kidney, chief executive officer of the Climate Bond Initiative, an organization that promotes green bonds. The securities could match international investors looking for yield with Brazilian regions that need of financing for infrastructure, he said.

Brazil is a key producer of soy, beef and sugar. Its sustainability credentials are derived from requirements that farmers keep 20 percent to 80 percent a certain percentage of their land fallow for conservation, according to Jaguaribe.

He sees companies in agribusiness, transportation and water sanitation as potential issuers of green securities. Brazil has plans to build railways to crisscross the nation, which are considered to be a more sustainable form of transport because developers cut down less trees than when building highways.

“It’s a mode of efficient transport and low carbon approach with green investment and helps reduce deforestation,” said Isabella Teixeira, former minister of environment of Brazil.

—With assistance from Vanessa Dezem.



### Here’s the Hot Canadian Oil Play You Probably Never Heard About

*Posted October 04, 2017, 10:00 A.M. ET*

*By Robert Tuttle*

There’s a land grab quietly taking place in a little-known corner of the Canadian oil sands.

Just 200 kilometers (125 miles) southwest of the Fort McMurray oil-sands hub in northern Alberta, investors are rushing to secure rights to land that produces crude at much lower costs than the massive operations the region’s known for. That’s because beneath the area’s characteristic oil-rich soil, which requires expensive extraction and refining techniques, there’s crude trapped between layers of rock that can be pumped with conventional gear.

"It's definitely an emerging play," said Roger Tang, chief executive officer Deltastream Energy Corp., one of the companies that's producing oil in the area. "It's new and the production is quite respectable at this price."

The race to acquire drilling rights near the remote Slave Lake community comes as development of Canada's oil-sands, the world's third-largest crude reserves, grinds to a near halt with prices too low to justify the billions of dollars required to build new mines or steam-assisted production sites.

Located roughly between Alberta's Nipisi Lake and an area called Marten Hills, the drilling rights going for sale fall within the Clearwater shale and sandstone formation, with pockets of oil 600 to 700 meters (1,970-2,300 feet) below the ground, Tang said. Crude from the area can be produced for about C$10 ($8) a barrel.

The purchases have been flying under the radar because most of the buyers are closely held companies like Deltastream, which aren't required to disclose what they're up to like listed companies. But one purchase recently stood out.

Under the name Stomp Energy Ltd., the land company Scott Land & Lease Ltd. paid C$10.15 million, or C$1,101 per hectare, in a Sept. 13 provincial land offering for the rights to explore for hydrocarbons near Marten Hills for 15 years, along the far western edge of the Athabasca Oil Sands region.

While that may seem like very little when compared to the prohibitive prices paid for rights in the Permian Basin in Texas, it was the most paid for a single section of exploration land in Alberta since December 2011, provincial data show. And it came amid a flurry of other purchases in the same area by other companies.

Companies including Deltastream, Cenovus Energy Inc. and Spur Petroleum Ltd. have begun drilling in the area over the past year.

Cenovus controls about a third of the play after acquiring drilling rights in the area over recent years, Harbir Chhina, executive vice president of oil-sands development, said in a conference call last June. While Cenovus has drilled a well in the area that produces about 300 barrels a day and plans to drill four or five wells in total, the company lists Marten Hills as a potential divestiture as it seeks to sell C$4 billion to C$5 billion by year end to help cover the cost of buying oil-sands assets from ConocoPhillips.

"We continue to assess what our drilling plans may look like for this property in the coming months," Reg Curren, a Cenovus spokesman, said in an email. "No decision has been made at this time."

Backed by a C$100 million equity line of credit led by ARC Financial Corp. and Wells Fargo & Co., Calgary-based Deltastream has drilled nine wells there since the second quarter, three of which are producing between 150 and 200 barrels a day, Tang said. The company plans to continue drilling new wells into next year.

**Well Costs**

The advent of multilateral drilling, in which multiple bores are drilled out of a single well hole, has made exploiting the Clearwater formation economically viable, Tang said. Each well costs C$1.1 million to C$1.5 million to drill and produces as much as four times more crude as a conventional horizontal well, he said. That makes the play viable at today's oil price of just over $50 a barrel, Tang said. By contrast, wells in Alberta's Duvernay Formation cost C$6 million to C$7 million.

Land companies such as Scott typically buy rights in oil-sands areas on behalf of energy producers who want to shield their names from the transaction. Scott declined to comment on the purchase when contacted by phone.

In addition to Scott and Deltastream, Synergy Land Services Ltd. also bought rights to a plot during the Sept. 13 bidding round. It payed C$1,571 per hectare, the most per hectare in the province in more than two years. In July, land company Britt Resources Ltd. paid C$2.99 million for three parcels in the same immediate area, and Scott bought three parcels nearby for C$4.97 million in June of last year.

The drilling rights sales "show you that quiet acquisitions can get hot very quickly," said Mark Oberstoetter, lead analyst for upstream research at Wood Mackenzie in Calgary.

But development of the Clearwater formation in the Marten Hills area is in its infancy and its full potential won't be known until more drilling takes place, Tang said. The Lesser Slave Lake River area that includes Marten Hills pumped just 1.46 million barrels in all of 2015, according to the most recent Alberta government data. But Tang says he's optimistic.

Well results are "looking very good," he said. "Although it's still early stage, you get some indication that it's very exciting."

—With assistance from Dave Merrill.



**Cities Pitch Affordability, Innovation in Curbing Sewer Overflows**

*Posted October 04, 2017, 9:02 A.M. ET*

*By Amena H. Saiyid*

When it rains, it flows—a nasty soup of stormwater and sewage spilling into local streams. Controlling these sewer system overflows costs a lot of money and can require tricky engineering: some cases require the construction of large storage tunnels burrowing hundreds of feet underground. Many cities want more time to clean up the problem, and they're getting it. Washington, D.C., is among the cities that have taken advantage of the EPA's integrated planning policy, which outlines how communities can prioritize Clean Water Act obligations and develop flexible plans to reduce compliance costs.

DC Water, the district's water and wastewater authority, was able to save more than $1 billion by amending a court-ordered agreement with the Environmental Protection Agency detailing its plan to reduce its overflows. Those changes allowed the district to use green infrastructure to address the problem and accounted for the inability of some of DC Water's 130,000 customers to pay for services.

"The integrated planning policy allowed us to inject affordability into the discussion," George Hawkins, outgoing chief executive officer for DC Water, told Bloomberg BNA.

DC Water was able to achieve those savings by reducing the number of storage tunnels from four to three and implementing a plan for green infrastructure to absorb some of the stormwater flows.

**Eight Cities Renegotiate Deadlines**

More than 800 cities—mostly older communities in the Northeast and Great Lake states—have wastewater collection systems built in the early 1900s that combine both stormwater and sanitary sewage in one pipe, according to the EPA. They are designed to overflow through a series of outfalls into streams and lakes during storms so that the sudden gush of this combined waste doesn't overwhelm the treatment plant.

Overflows from combined sewers, as well as those from sanitary sewers and stormwater drains, are a huge pollution problem, dumping pathogens, toxic chemicals, debris and other contaminants into the water. Some systems even overflow when it isn't raining due to pipe blockages, line breaks, and power failures.

Communities that have been lax in addressing their overflow problems have found themselves on the receiving end of lawsuits and EPA enforcement actions for violating the Clean Water Act, which resulted in consent orders laying out long-term control plans. Figuring out how to pay for the needed improvements has been a major driver in the effort of some cities to open up those agreements.

The nation's capital was one of at least eight cities that have renegotiated their agreements with the EPA, giving cities more time to incorporate new strategies, such as better integrated planning with other projects, and solutions that consider their ability to pay for them.

Atlanta was another and extended its deadlines from 2014 to 2037 after arguing it couldn't afford the necessary upgrades to its wastewater collection and treatment system over the prescribed time frame.

The city, like most others, was hit hard by the recession and saw local water use reduced and competing demands for limited municipal resources, Mikita Browning, Atlanta's consent decree manager, told Bloomberg BNA. This is despite the fact that Atlanta raised its water and sewer rates by 252 percent over a 10-year period and imposed a 1 percent municipal sales tax to defray the costs of water infrastructure.

Baltimore negotiated a new 2030 deadline to curb its sanitary sewer overflows and stormwater runoff. The extra 14 years would allow the city, once the court approves the extension, to address stormwater runoff and prioritize its funds to eliminate a sewage blockage leading into the River Wastewater Treatment Plant.

"We used integrated planning to front-load our modified consent decree with projects that would deliver the biggest return, then spend additional money as needed in the out years to complete the work," Jeffrey Raymond, spokesman for Baltimore Public Works Department, told Bloomberg BNA.

**Policy Issued in 2012**

Since the 2012 integrated planning framework came out, the EPA said it has entered into over 31 agreements with municipalities governing sewer overflows. The agency also has revised 11 decrees, with at least eight involving extended deadlines.

Cities like Lima, Ohio, that entered into consent decrees after 2012 also were able to tap into the EPA's updated financial assessment policy, which supplemented the integrated planning policy, to look at historical sewer and water rates, poverty rates, and income levels to obtain a "more accurate and complete picture" of their ability to pay for Clean Water Act obligations. Backed by the U.S. Conference of Mayors, Lima Mayor David Berger argued that EPA's existing metric for measuring affordability was unworkable for his city.

Many of the municipalities that came under EPA's enforcement gun for overflows pushed for the planning framework to assist them with prioritizing other environmental mandates and public needs, such as public safety, road building, school upgrades, and hospitals.

In seeking to renegotiate the agreements, some cities pitched using less traditional engineering approaches, such as more cost-effective green infrastructure that involve green roofs, wetlands alongside roads, and swales along parking lots to capture stormwater runoff so it can seep slowly into the ground.

They also argued that extending deadlines for putting the control plan in place would allow them to spread out the cost over a longer period of time, thereby reducing annual costs.

The Hampton Roads Sanitation District, which serves 18 cities and counties in Southeast Virginia, amended its 2010 agreement in January in line with integrated planning but didn't seek a deadline extension for reducing sewer overflows from 13 treatment plants and 500 miles of pipelines. The district will be able to use a region-wide plan to spread the costs and proceed with a project to inject the Potomac Aquifer with wastewater treated to meet drinking water standards.

**Advocates Caution Against Misuse**

But environmental groups are leery of added flexibility that allows cities to delay complying with their Clean Water Act requirements, even as they support green infrastructure.

Blue Water Baltimore intervened in the city's negotiations to extend its deadline because it wanted to make certain that the city "report measurable progress from infrastructure projects and adaptive management of proposed projects based on water quality monitoring results," Angela Haren, the group's advocacy director, told Bloomberg BNA It has objected to the revised consent decree, which is pending approval in a federal district court, because it doesn't require water quality monitoring.

Larry Levine, the NRDC's senior water attorney, cautioned that the flexibility offered by the EPA shouldn't be "misused and abused" as an excuse to defer real progress in cleaning up polluted urban waterways, or to avoid accountability for meeting the Clean Water Act's "fishable, swimmable" goals for waterbodies.

However, Karen Hansen, an attorney with Beveridge and Diamond P.C. that has represented municipalities in negotiating consent decrees, told Bloomberg BNA she expects to see more integrated planning.

"I see integrated planning will have increased utility end use in a climate where EPA under the current administration is very open to ideas about what's cost effective and what makes sense for the community," Hansen said.

## Storms Spur $22 Billion Investment in Battery-Backed Grids

*Posted October 04, 2017, 8:47 A.M. ET*

*By Christopher Martin*

Growing demand for more resilient power supplies will spur $22.3 billion of global investment in battery-backed local energy systems over the next decade, according to Navigant Research.

Villages and homes in far-flung places will drive the expansion of microgrids, small-scale solar systems with batteries that can retain power until it's needed. Navigant expects 14.9 gigawatts to be in operation in 2026, up from 238 megawatts this year, according to a report Oct. 3.

North America and the Asia-Pacific region will get about three-quarters of the investment as developers find ways to use microgrids more efficiently, including providing energy-management services to utilities. North America will have 5.85 gigawatts of microgrid storage in operation by 2026 and Asia-Pacific will have 5.57 gigawatts. Declining battery costs and new financing methods will also boost deployment in areas like coastal communities in Florida and Texas exposed to flooding and frequent storms, said researcher Alex Eller.

"The storms helped raise awareness of what's available," Eller said in an interview. "For the next couple years, remote microgrids will make up about half of global installations."

Puerto Rico, where the utility grid was knocked out by Hurricane Maria Sept. 20, has become a target for developers eager to showcase microgrid designs. These include solar panels, small wind turbines and backup diesel or propane generators that may be needed if a string of cloudy days reduces solar production and doesn't fully charge the batteries.

Suppliers including Tesla Inc., battery-maker Sonnen GmbH, and solar rooftop supplier Sunnova Energy Corp. have each begun shipping micro-grid equipment to Puerto Rico to help re-power the island following the storm.